

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IES UTILITIES INC., n/k/a INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. PSA-01-1
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ORDER ADDRESSING SAFETY VIOLATIONS

(Issued January 21, 2003)

INTRODUCTION

On December 13, 2001, the Utilities Board (Board) issued an order opening Docket No. PSA-01-1 to review the compliance of IES Utilities Inc., n/k/a Interstate Power and Light Company (IPL), with federal and Board pipeline safety regulations. IPL is a rate-regulated public gas utility that owns and operates natural gas pipelines in Iowa and is subject to the jurisdiction of the Board. The Board opened the docket because of a significant number of safety violations found on IPL's system during Board staff inspections and in response to information provided by an official of the federal Department of Transportation, Office of Pipeline Safety.

In the December 13, 2001, order, the Board directed IPL to file a report on or before January 31, 2002, that described a plan for corrective action and a timetable to complete the corrective action. IPL was also ordered to file monthly progress reports showing the corrective action taken and providing an explanation of why any scheduled corrective action was not completed. In addition, IPL was directed to file a

report on July 31, 2002, that described the actions to be taken by IPL to ensure compliance with federal and Board safety regulations after July 31, 2002.

IPL filed the plan for corrective action as required and the Board issued an order on March 12, 2002, addressing the corrective action plan and directing responses to questions presented by the Board. On April 15, 2002, the Board issued an order addressing IPL's responses to the questions in the March 12, 2002, order. On July 31, 2002, IPL filed a report describing the actions it would take to ensure compliance with federal and Board safety regulations in the future. Also, beginning on February 19, 2002, IPL has filed monthly reports. IPL filed its last monthly report on December 23, 2002, and indicated that would be its last monthly report unless otherwise ordered by the Board.

The Board has reviewed IPL's actions to determine whether IPL is now in compliance with federal and Board safety regulations. The results of the Board's review are addressed below.

VIOLATIONS

I. Leak Surveys

The Board found that IPL had violated 199 IAC 19.5(2) by not performing leak surveys and maintaining records of leak surveys in accordance with 49 CFR 192.723. The finding was based upon a violation of 49 CFR 192.723 found in the Belmond District and documented in an inspection report by Utility Regulation Inspector John Bloome dated July 16, 2001. The safety regulations require that leak surveys be done at specified intervals and records kept of those results. Detection of the leaks

prevents natural gas accidents from occurring that can endanger persons and property.

An inspection from March 4, 1999, found no leak surveys in the Belmond District between August 5, 1993, and February 10, 1997. Board staff indicated to IPL that these leak surveys should be performed, but an inspection in 2001 found that the leak surveys had not been performed.

IPL hired an outside contractor to perform a leak survey of the entire natural gas system in the Belmond District. The survey was completed on October 17, 2001, and included 91 miles of gas mains and 4,593 gas services. IPL has now completed the record keeping and put into place procedures to ensure that records are kept properly in the future. In addition, IPL has appointed a lead person to be responsible for gas system maintenance and safety code compliance for the Belmond area.

The Board finds that IPL's corrective actions taken regarding the leak surveys in the Belmond District are acceptable and the violation has been corrected. All of the corrosion problems in the Belmond District have been corrected.

II. Corrosion Control

The Board found that IPL had violated 199 IAC 19.5(2) by not complying with the requirements for corrosion control as required by 49 CFR 192.465. The finding was based upon an inspection report in the Iowa Falls District. Board inspections found both cathodic protection zones in Wellsburg were below the required protection levels in 1995, 1996, 1997, and 1998. The inspection reports showed that in a follow-up inspection in January 2000, IPL informed the inspector the cathodic protection had

been brought up to required protection levels. The Board inspector found there was no record of any corrective action in 1999 and low readings again in 1999 and 2000, with no corrective action yet taken at the time of the inspection in March and April of 2001. IPL could not explain why these deficiencies had apparently gone uncorrected for six years. In addition, ten cathodic protection zones in other towns were deficient in both 1999 and 2000, and no corrective action had been taken in six of those zones when the district was inspected in March and April of 2001.

The cathodic protection is required by 49 CFR 192.465 and monitoring of cathodic protection is included in the external corrosion control monitoring standards required by the federal regulations. The level of cathodic protection required by the regulations must be maintained to prevent corrosion of the natural gas pipes that could potentially result in leaks, which could endanger persons and property.

IPL agreed that there were deficiencies in meeting corrosion control requirements in the Iowa Falls area and deficiencies in appropriately documenting the remedial actions taken. Corrective action was taken to bring all cited zones up to adequate protection levels. To prevent future deficiencies, IPL created the position of Corrosion Technician and required Corrective Maintenance Orders to be used to document all work needed and completed. IPL had also asked the Manager of Operations and Compliance Audits to have the Internal Audit group perform random audits to verify that record keeping procedures were being followed and zone operations managers have conducted gas records process training.

The Board finds IPL has taken reasonable corrective action to bring it into compliance with federal and Board safety regulations concerning corrosion control. The Board finds this violation is corrected. Future Board inspections will monitor whether the new record keeping system is being followed.

III. Emergency Shutoff Valves

The Board found that IPL had violated 199 IAC 19.5(2) by not complying with the requirements of 49 CFR 192.181(b) concerning emergency shut-off valves. Under 49 CFR 192.181(b), an emergency shutoff valve must be located at a safe distance from a pressure regulating station. IPL has facilities that were originally installed as farm taps serving single customers that were found to now serve multiple customers without the improvements required by the safety regulations. The Board found these violations showed a lack of awareness of the federal safety regulations and the failure of IPL management to communicate the problem to its employees.

To correct this problem, IPL identified the locations where corrective action was needed. IPL proposed to correct the locations cited in the December 13, 2001, order prior to July 31, 2002, and then to correct the remaining locations by December 31, 2002. IPL was able to complete the corrective action for the farm taps by October 31, 2002. However, IPL is still replacing certain pre-manufactured steel manifolds that were found after installation not to meet welding specifications. IPL now plans to replace all related pre-manufactured components on a non-emergency basis.

The Board finds that IPL has corrected all the farm tap locations as projected. This violation would be considered corrected except for the defective pre-manufactured steel manifolds used in construction of new farm taps. IPL plans to replace these manifolds by the end of 2003. The Board will not consider this violation corrected until all of the manifolds are replaced. IPL will be required to file monthly progress reports until the replacements are completed.

IV. Response to Leak Calls

The Board found that IPL had response times for leak calls that exceeded one hour and therefore violated 199 IAC 19.8. A report of a gas leak may indicate a dangerous situation and the Board has prescribed more stringent rules for responses to leak calls in 199 IAC 19.8(4) by making a report of a gas leak an emergency requiring immediate attention. Neither subrule 19.8(4) nor 49 CFR 192.615(a) establish a time limit on responses, but the Board has used a response time of one hour as the standard for immediate attention and has applied that standard in a previous proceeding, Docket No. PSA-89-1. If the response time is longer than one hour, the Board then looks at the reason for the additional time before it determines that a violation has occurred.

Inspections had shown that after problems were found in two inspections in 1999 and early 2000 (12 and 31 instances, respectively, of response times over one hour), IPL was improving its performance. However, inspections in 2001 again found response times of over one hour. In the Spirit Lake District, 68 total instances were found and 147 were found in the Creston District. The Board found that IPL had

presented no plan for improvement in those two districts and a tracking system implemented after the 1999 inspection citations was not correcting the situation. In the order issued April 15, 2002, the Board directed IPL to file a report on each leak call where response time was over one hour with the monthly progress reports.

IPL agreed that sufficient action had not been taken to address the problem of leak call responses over 60 minutes. IPL reviewed its procedures and implemented new call-out procedures, increased employee awareness of the response time requirements, provided for timely review of response times over 60 minutes, and reduced the number of data entry errors. IPL also negotiated a new contract with the service personnel union that will complement the after-hours standby process.

The Board finds that the procedures implemented by IPL have corrected the violation. IPL has reported that leak call responses averaged 92 to 93 percent in 2001 and averaged 98 to 99 percent in 2002. For November 2002, IPL reported nine leak call response times of over 60 minutes out of 886 total calls. Only three of the nine are considered significant since the other six were less than ten minutes beyond an hour.

The Board finds that it should continue to monitor IPL's response times and the success that the new union contract will have in improving IPL's response times. The primary problem still appears to be travel time for responders. IPL will be required to file monthly reports listing the response times of more than 60 minutes until the Board is satisfied that IPL can maintain the 98 to 99 percent level of under 60 minute response times.

V. Maximum Allowable Operating Pressure

The Board found that IPL had violated 199 IAC 19.5 by not meeting the requirements for maximum allowable operating pressure (MAOP) established in 49 CFR 192.619, .621, and .623. Under 49 CFR 192.619, .621, and .623, each pipeline must have an established MAOP, which is essentially a pressure rating for the pipeline or pipeline system. Violations were cited in this area in ten of the 13 inspections conducted in 1999, 2000, and through September of 2001. The violations included instances of missing or incomplete documentation and outright errors. Also, numerous instances were found where MAOP records did not agree with the pressures listed in regulator station review documents, which called into question the adequacy of pressure control and overpressure protection on the downstream pipelines.

IPL agreed that MAOP records from some locations were either incorrect or conflicted with data found in the regulator station inspection documents. IPL completed a comprehensive listing of all gas transmission and distribution systems in January 2002. The list provides a centralized inventory of MAOP ratings and operating pressures. The list also provides a cross-reference to the regulator station inspection database and should eliminate discrepancies in the data. Finally, IPL is converting from an old DOS-based software package for regulator and relief valve capacity calculations to a newer Windows-based system.

The Board finds that this violation has been corrected. Although Board staff has not reviewed the new software program, recent inspections have found that data

used in the calculation of relief valve capacity for regulator stations seems to be correct and MAOP documentation is accurate.

VI. Pressure Tests

The Board found that IPL had not taken any significant corrective action to correct or prevent pressure test procedural errors and that IPL apparently disregarded its own pressure testing requirements as required by 49 CFR 192.13(c) and 199 IAC 19.5. The Board found that numerous violations had been cited for improper pressure testing of newly installed pipelines. Some were for tests which did not comply with the appropriate provision of 49 CFR Part 192 Subpart J for the type of pipeline involved; others were under 49 CFR 192.13(c) for failure to follow additional or more stringent provisions of IPL's own testing procedures. It appeared that IPL had taken corrective action where the test did not meet federal standards, but not necessarily where the test complied with the federal standards but not IPL's own procedures. The Board noted that 49 CFR 192.13(c) requires that IPL comply with the safety procedures IPL has established.

IPL agreed that it had instances of inadequate pressure testing in the past and that it understood the importance of following the pressure testing requirements that it had established. IPL indicated that it would provide additional training to field personnel where needed and new pressure test review procedures would be implemented. Finally, IPL indicated that it would retest all pipelines that were improperly tested with the exception of an 8-inch pipeline in Grinnell, which will be replaced.

The Board finds that IPL has corrected this violation. IPL has retested all pipelines that were not properly tested and Board staff will review all authorized variances from IPL's testing procedures to ensure compliance with federal and Board safety regulations.

VII. Pattern of Violation

Based upon an overall review of the violations found by Board staff and the failure of IPL to correct specific violations, the Board found IPL had engaged in a pattern of failing to properly supervise its employees to ensure that proper safety procedures were undertaken and records were properly maintained. The Board found that the pattern was a violation of 199 IAC 19.5 which required that IPL construct, install, maintain, and operate its gas plant in accordance with good engineering practices to ensure the safety of persons and property.

The corrective actions taken by IPL to respond to the specific violations are discussed above. Additionally, IPL has created the position of Operations Specialist to increase overall attention to gas operations, identify and improve gas business processes, improve gas emergency responses, improve completion of gas maintenance and follow-up activities, and improve the overall quality of documentation and record keeping. IPL has also assigned an engineer to be responsible for Iowa operations and responding to Board inquiries and inspections.

The Board finds that IPL has shown significant improvement in responding to Board staff inspections and requests and assigning an engineer for Iowa operations has improved communications with Board staff. This improved communication has

resulted in the clearing of many past probable violations. There are also indications that zone managers are more aware of the need to correct deficiencies found during inspections. Recent inspections showed an increased awareness on the part of IPL personnel.

Based upon the corrective action taken by IPL for the violations addressed above and the additional actions to ensure compliance with federal and Board safety regulations, the Board finds that IPL has corrected this violation. With the increased attention to gas safety regulations and violations noted by Board staff inspections, IPL should remain in compliance.

FUTURE VIOLATIONS

In the order issued December 13, 2001, the Board gave IPL written notice as required by Iowa Code § 476.51 that it could be subject to civil penalties for the violations of Board gas pipeline safety rules. Notice was given because of IPL's failure to comply with past agreements to correct violations. If IPL fails to maintain compliance with gas pipeline safety rules, the Board without further notice may seek statutory civil penalties.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. Violations of federal and Utilities Board safety regulations by IES Utilities Inc., n/k/a Interstate Power and Light Company, have been corrected as described in this order.

2. IES Utilities Inc., n/k/a Interstate Power and Light Company, shall file monthly reports on the replacement of the defective pre-manufactured steel manifolds until they are all replaced and leak call responses over 60 minutes for the next six months. At the end of the six months, the Utilities Board will decide if the reporting requirement will be extended.

3. IES Utilities Inc., n/k/a Interstate Power and Light Company, is hereby given notice pursuant to the provisions of Iowa Code § 476.51 that failure to maintain compliance with federal and Utilities Board gas pipeline safety regulations may result in civil penalty action.

UTILITIES BOARD

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 21st day of January, 2003.